**InnoCoop – enhancing policy instruments fostering innovation-oriented business cooperation of rural SMEs based on the quadruple helix model**

**Specific objective: SO 1.3. SME competitiveness**

**Rationale**

Europe is facing a challenge of shrinking areas, which are predominantly rural areas with low population. Shrinking areas are found in each member state, with not respect to their GDP per capita. According to the policy brief of ESPON on shrinking rural areas policy responses to rural shrinkage shall mobilise endogenous resources; promote social innovation and ICT; foster ecosystem services and green economy; and realise integrated place-based economies. Although the listed interventions focus rather on endogenous resources, innovation often requires the combination of internal and mobilisation of external resources as well. In this process public administration (national or regional), business support institutions, small and medium-sized enterprises, as well as the civil sector play a key role. As rural shrinkage in some areas is an irreversible phenomenon, strategies must be composed as a mix of mitigation and adaptation.

Rural areas suffer from demand and supply shortages that represent a significant obstacle to innovation and economy development. As small and medium-sized enterprises (SMEs) are the engines of innovation, they should set up locally and regional embedded networks, in order to cope with competitiveness issues. Such networks may be within national boundaries or cross-border, in case of border areas where isolation make their development position even more challenging. Attractiveness of these areas is influenced by several factors. Rural areas with good quality environment and developed civil society may represent an unlocked development potential. The COVID-19 pandemic significantly changed the picture of some rural areas. Those with relatively developed accessibility and basic infrastructure have become magnets for remote workers, as well as to digital nomads. This, on one hand challenges, on the other hand generates added value both for the local communities and the employers. Improvement of cooperative attitude, provision of support and inclination of SMEs expand their market opportunities. A flexible, open and cooperative SME sector is a key feature of sustainable development in rural regions, making them resilient under current uncertain economic conditions (pandemic, soaring energy prices etc.).

Innovation-oriented business cooperation faces multiple challenges due to the weaknesses of the different segments of the quadruple helix model of innovation, both within and across borders. The main challenges in terms of the different segments of the quadruple helix are as follows:

* Private sector: SMEs are interconnected in different ways in different regions. They seem to be in lack of information about other economic players’ business operations hindering establishment of value-added business cooperation where SMEs can build on each other’s strengths that can provide comparative advantages for all players. This is especially true for innovation-based developments where building trust between economic players poses additional obstacles to cooperation. SMEs usually lack of knowledge and financial resources needed for active participation in cooperative innovation chain. Policy instruments for a Smarter Europe, focused on R&D, digitalisation and sustainability, are more often used by companies in urban areas near the academia than by regional enterprises in rural areas.
* Public sector: public business support organisations (chambers, enterprise development organisations, sectoral clusters, innovation and technology centres) are weak in some regions and are in search of how to provide effective support to innovation-based economic cooperation of local companies. Some best practices can be identified, interconnection seems to be even more challenging in rural and cross-border areas.
* Academia: engagement and active participation of knowledge centre institutions (universities, research institutions and their affiliates) in innovative SME business cooperation are rather diverse across Europe. These institutions often fail to provide hands-on and practical service to the SMEs and the economic players are also reluctant to establish operative cooperation with them.
* The civil sector, particularly in rural areas, play a key role in promotion of entrepreneurship, cooperation and social responsibility. In case of strategies of mitigation of shrinkage, the civil sector has rather a secondary role, in improving the region’s image or promotion. In case of adaptation strategies, social responsibility becomes more important where the civil sector becomes a key player.

**Project objectives**

Overall objective of InnoCoop project is to better exploit and unlock the potential lying in networking and cooperation (intra- and cross-border) of innovation-oriented SMEs in shrinking rural areas across Europe.

Specific objectives:

* Definition of criteria set and elaboration of hands-on model for fostering innovation-based cooperation of SMEs with involvement of all components of the quadruple helix model, taking into account the different factors influencing value-added innovative business cooperation in rural areas.
* Raise the awareness and increase the number of valuable and feasible business partnership in rural areas between SMEs and between SMEs and the knowledge centre institutions.
* Improve SME access to EU funding and policy instruments in rural areas via public development agencies and public/civil business support organisations.
* Improvement of policy instruments in different rural regions focusing on fostering improvement of product and service innovation on the basis of SME cooperation.

**Project content**

1. Joint assessment

Detailed survey and assessment of ongoing regional and international policy instruments fostering SME cooperation focusing on innovation development. The survey encompasses the setup of a joint evaluation methodology and joint assessment of different instruments, collecting best practices and main obstacles.

Classification of instruments based on various factors, inter alia:

* phases of innovation (industrial research, research and development, product and service innovation),
* sectoral and company-size aspects (sector-orientation, targeted types of SMEs),
* types of funding (pre-seed, seed, development, business etc.),
* types of business cooperation (cooperation within the same sector, value-chain cooperation including SMEs operating in different sectors),
* territorial scope (regional, national, cross-border, other international funding instruments),
* involvement of public (business support organisations) and academia (knowledge centre institutions) actors in fostering innovative SME cooperation, especially in rural and cross-border regions.
1. Exchange and knowledge transfer

Structure of the exchange and knowledge transfer process will be jointly defined and facilitated, in order to produce an appropriate integration into the policy instruments. Each instrument will be presented in form of a joint study visit, accompanied with an indoor thematic meeting, as well as written presentations.

Logic / applied dimensions of the exchange process:

* Involvement of elements of the quadruple helix in the SME development process (public bodies, business support organisations, knowledge centres and academia, civil society);
* effective techniques of match-making between SMEs and organisations from the other points of the helix;
* methods for development of joint innovative SME development projects,

In each partner region, around each instrument and regional working group (RWG) will be organised, with involvement of various stakeholders from the helix. Besides RWGs, on basis of thematic composition of the practices, thematic working groups (TWGs) are also envisaged to be set up, in necessary.

1. Improvement of policy instruments

Elaboration of regional policy papers for improvement of regional policy instruments focusing on innovative SME cooperation, based on the lessons learnt from InnoCoop project cooperation.

The improvement process will be facilitated through thematic workshops, peer reviews, staff exchange (to be clarified with the partners, if interest exists) and participation at the Policy Learning Platform. If some partners are not able to deliver the improvement in the 4th year, a regional action plan must be prepared.

In terms of improvement the following actions may be taken by the partners to the instrument:

* Modification of the content of the regional policy instruments (targeted beneficiaries, territorial specifications, supported activities, eligible costs).
* Raising the effectiveness of SME – academia cooperation or SME – civil sector cooperation in innovative developments.
* Improvement and tailoring the implementation of the supporting scheme, for better targeting cooperating SMEs (involvement of different business support organisations in supporting scheme, methodologies for fostering awareness raising and business cooperation, elaboration of effective incentive schemes).
* Improvement of the management of regional policy instruments (managing bodies to be included, evaluation criteria for cooperative SME project selection, monitoring of effectiveness of policy instrument management).

**Contact**

* CROST Regional Development Nonprofit Ltd.

György Márton, managing director, marton@crost.hu

Zoltán Pámer, international development expert, pamer@crost.hu